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HUMAN EVENTS

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News Section

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Democratic Problem Child: At the party's $100 a plate dinner in New York last week—where "How on earth can we win?" was the prevailing question—a ghost hovered over the gathering. It was the ghost of the Kennedy bid for the Democratic Presidential nomination. The young Senator was there in person—the front-runner of the numerous candidates, the best potential vote-getter the Donkey now possesses. But the political implications of Kennedy's ambition lay heavily on all considerations whispered or muttered in corners or over soup and nuts, and prompted the following surprising observations by guests:

(1) Despite the fact that Kennedy is the one Democrat presumably swaying the crucial "Catholic vote" in the key large-population states, a whole battery of Democratic state governors, who themselves are Catholics, entertain some cogent reasons why the young Massachusetts Senator should not receive the nomination.

Little realized by the public is the fact that there are seven Democratic governors who are Catholic: Furcolo (Mass.), Brown (Calif.), Lawrence (Pa.), DiSalle (Ohio), McNichols (Colo.), Rosellini (Wash.) and Hickey (Wyo.). Additionally, there is the powerful Mayor Wagner of New York, reputedly anti-Kennedy.

Since such functionaries usually line up most of the convention delegations from their states, the picture of young Jack's chances at the Los Angeles convention does not look bright.

These governors obviously do not like "over-emphasis" on the Catholicism of Democratic candidates on the 1960 ticket and naturally would deem Kennedy's name on the head of the ticket as "too much." Besides this purely political consideration, it is believed many Catholics dislike dragging their religion into politics and foresee trouble if and when Kennedy's campaign really "heats up."

(2) At the New York $100 a plate banquet there was much discussion of the consequences of the "birth control controversy." It was generally agreed that this issue and the way it was handled in the press have lessened Kennedy's chances for nomination. It was also noted that the one 1960 hopeful (apart from Lyndon Johnson) who made no comment on the touchy controversy was Vice President Nixon, and the Democratic politicos expressed envy of Nixon's posture: he did not have to say anything because President Eisenhower gave a forthright statement; and that statement did the GOP no harm in areas containing many Catholics which are the areas into which the GOP must cut deeply if it is to win the Presidential election.

(3) *Since the talkative* $100 *a plate function was held in New York City, naturally no little attention was given to the repercussions of the touchy controversy in that state. It is believed that Carmine DeSapio, leader of the state's Democratic right wing and an opponent of the Massachusetts Senator, must have felt a certain satisfaction about Kennedy's plight resulting from the birth control uproar; and some observed that the Catholic hierarchy in New York probably was unconcerned about Kennedy's troubles as a result of the controversy. It is believed that the New York hierarchy's preference is Nixon; and that the Massachusetts hierarchy is naturally favorable to Kennedy.*

At any rate, no one attending the banquet proceedings could leave with the feeling that the Empire State Democratic organization, with the largest number of convention votes, has any desire to help the young Senator from the Bay State. Both wings of the New York party—DeSapio and the right wing on the one hand, and Eleanor Roosevelt and the "liberals" on the other—are very cool to Kennedy.

Indeed, today no Democratic politico in the Empire State forgets that these two wings of his party joined last August to literally "cut Kennedy's throat." What they did was to endorse Mayor Wagner for the Vice-Presidential nomination. In effect, this ensured that New York Democratic politicos would send to the nominating convention in Los Angeles next year a delegation that would *not* be pledged to Kennedy. Since both Kennedy

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and Wagner are Catholics, obviously the New York delegation (or any other delegation) would not back a Catholic for the No. 1 post (to which Kennedy aspires) and at the same time be pledged to support a Catholic (Wagner) for the No. 2, Vice-Presidential position.

When you add to this fact the assurance that the California delegation will be pledged to support Governor Pat Brown (also a Catholic), you have a picture of the two most numerous state delegations at the Los Angeles meeting definitely abstaining from lining up behind the Kennedy banner. Anyone familiar with the way the game is played at conventions knows that this is a tremendous handicap.

(4) Finally, "Little Jack" has to try to roll up a record in the primaries—but there he will collide with the favorite sons. Dopesters figure that at least 20 per cent of the delegates will be pre-empted by the "favorite sons." Governors and other locally popular Democrats are, as follows: Brown—California; Meyner—New Jersey; Williams—Michigan; Smathers—Florida; DiSalle—Ohio; Muskie—Maine. Arithmetic suggests that not much will be left for Senator Kennedy to garner.

But the greatest worry of all afflicting the Democrats is what may happen if and when these above-mentioned factors combine to stop Kennedy at the convention, despite his considerable mass following in key industrial states. For then, this mass following might ascribe, rightly or wrongly, a Kennedy defeat to bigotry. Then—and the fear haunts Democratic politicos—most of the support for Kennedy, "that problem child," could very well rebound to vote for the GOP.

Not Merely Gossip: The New York police have not closed the case of the death of Povl Bang-Jensen, former anti-Communist official of the United Nations. Whether or not the police have followed up any new leads to the mystery is not known. But, according to reliable sources, friends of the late Danish diplomat have put private investigators to work and the latter have discovered a witness who saw the Dane twenty-four hours after he was said to have disappeared. The gap between disappearance and finding of the body remains one of the puzzling factors in the case.

Private investigators present the following reconstruction of the happenings: Bang-Jensen committed suicide, was forced to commit suicide, because Communist agents threatened to kidnap his wife and children, if he did not do so. The reason why the Red agents wanted the Dane out of the way was not because of his famous role in protecting the Hungarian rebels, as popularly supposed.

It was because Bang-Jensen was in touch with some employees of the UN who were Communists, but who were seeking to leave the party to take asylum with US authorities, and "tell all" about the UN. Bang-Jensen, because of his thorough knowledge of the UN, would have been invaluable in such an expose, and would have played a major role in their defection.

The defection, had it occurred, might well have proved a big sensation and might have rocked the whole UN. In any case, it loomed as a psychological warfare defeat the Communist apparatus sought by desperate methods to prevent. Hence the Bang-Jensen case. So runs one current interpretation of the mysterious and tragic event.

● The smoldering antipathy prevailing in the New York State Democratic camp was evident last week as 1400 party faithful met to honor Eleanor Roosevelt. The "liberal" wing made it clear it didn't want Tammany chief Carmine DeSapio at the leftist shindig—and neither he nor State Democratic Chairman Michael Prendergast attended. At an earlier cocktail party thrown by DeSapio, Tom Finletter of the Roosevelt-Lehman-Finletter act wasn't invited. Lehman, Adlai Stevenson, and Mrs. Roosevelt sent their "regrets."

The Rockefeller Report: The Rockefeller Brothers Fund, headed by Laurence S. Rockefeller, issued a foreign policy report last week which subtly pleads for recognition of Red China and further appeasement of the Soviet Union and its satellites.

Marshalling arguments for recognition without manfully saying "Let's recognize," the report claims Communist China's power has not been "decisively affected" by non-representation in Washington or the UN. It then blandly asserts that "the need for complete knowledge" in China "is so paramount that lesser interests or concerns should give way to ensure full reporting by Americans on the spot."

The report even goes so far as to imply that a hard policy toward Communist China may foment a "color" war "more fearful" than a cold war with Russia. And finally: "Standing for freedom and for the essential dignity of man, the United States cannot see itself cut off from any continent or country."

The report also calls for more cultural exchange between Communist satellites and European countries and states the "United States should be anxious" to dispense its foreign aid through the United Nations rather than unilaterally. It also invites the Soviets to participate with the United States in giving aid, for this "may make a real contribution toward bridging the chasm which separates the two ideological systems."

Observers on Capitol Hill were not too surprised by the appeasement-approach, since they noted Dean Rusk, president of the Rockefeller Foundation, was one of the chief members who drew up the report. Rusk, a former Assistant Secretary of State under the Acheson-Truman regime, has long been known for his "dump Chiang, promote Mao" approach to foreign policy.

But Washington now wants to know if Nelson Rockefeller, himself, subscribes to the views of this report, especially since his new speechwriter, Emmet John Hughes, wants to make a deal with Red China and seeks a United States military withdrawal from Europe.

Welfare: In a New York City speech before the American Public Welfare Association convention last week Secretary of Health, Education, and Welfare Arthur S. Flemming outlined a program to reduce costs in 1960, while proposing:

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The elimination of all residence requirements for public assistance insofar as Federal funds are concerned, aid to dependent children "on the basis of need" whether or not there is a father or "father-figure" living with the relief-collecting mother (in other words don't cut off a welfare harlot who's collecting relief and living with a man making a good salary), and Federal research into—hold your sides—"the interlocking fields of juvenile delinquency, unmarried mothers, and absent fathers."

Speaking with Flemming at the convention of 1,000 social workers and public welfare leaders, four leading welfarists predicted that within the next 10-25 years unemployment benefits will be increased and extended far beyond the present maximum of 26 weeks, the Federal Government will provide money to move families from areas where they supposedly can't get work to areas where they supposedly can, public assistance benefits will be uniform throughout the Nation (people in Arizona and North Dakota will pay more for illegitimate children in Chicago and Philadelphia), and persons seeking public assistance will no longer have to prove they have been residents of a city or state for any length of time in order to get on the relief rolls.

While taxpayers across the country realized they were in for the bite of the century if welfare's pink cloud gang had its way, New York City was stirred by the recent prediction of Pulitzer Prize historian Oscar Handlin that the city's Negro and Puerto Rican population will reach 3.5 million by 1980, an increase of 60 to 75 per cent over the next 20 years.

Observers note that the lion's share of welfare funds in New York (as in most large cities) goes to unwed Negro and Puerto Rican mothers, some with a dozen or more children. Latest estimates are that 83 per cent of mothers receiving Aid to Dependent Children in the city are from these two groups.

Revival of the GOP: Top political analyst Samuel Lubell has good news for Republicans: he reports a "fairly dramatic" rise in GOP popularity this year, based in large part on the voters' desire to avoid inflation.

Lubell, whose consistently accurate forecasting is the result of searching personal interviews conducted exclusively by himself, finds 1958's *oft-repeated and politically disastrous complaint, "the Republicans are trying to outspend the Democrats," has been replaced by "the Republicans are a little sounder in money affairs,"—although many voters still feel that neither party will do anything about inflation, which indicates to Capitol Hill that last year's sound dollar crusade must be continued and stepped up in* 1960, *to convince the voters that the GOP is dedicated to fighting inflation.*

Lubell reports several significant straws in the wind: "On Long Island, a weatherman with four small children cast his first Republican vote in 1952 because 'Eisenhower said he would cut the national debt and stop the spiral of rising prices.'" In 1958, this man, disgusted with the GOP, voted Democratic. Now according to Lubell, the weatherman feels, "I'm still a Democrat at heart, but the Republicans are a little less loose with money. Right now I'm inclined to go with them."

And a middle-aged retailer, a former Democrat who supported Eisenhower, said: "I'd like to see the Republicans stay in. I've reached the age where a stable dollar is important to me."

● Another result in Lubell's study is attracting notice in Washington. Most of his interviews were conducted in New York City and northern New Jersey, yet his survey shows Vice President Nixon stronger than Governor Nelson Rockefeller, in the one part of the country where Rockefeller is widely-known at first hand.

The Supreme Court: The High Court struck two blows against communism this week. It upheld the State Department's right to deny passports to American citizens wanting to travel to Red China. (The Court supported lower court rulings which refused passports to "liberals" William Worthy, Jr., reporter for the Baltimore *Afro-American*, Waldo Frank, who has had numerous Communist front associations and Representative Charles O. Porter (D.-Ore.), one of Castro's strongest supporters.)

The Court also refused to review a contempt of Congress conviction of former University of Michigan instructor Horace Chandler Davis, who declined to answer questions put to him by a subcommittee of the House Committee on Un-American Activities. Davis had been sentenced to six months in jail and fined $250.

Conservative Coalition: The "liberal" press hailed the 1958 election as a mandate for its views, but detailed analysis of the first session of Congress proves it guilty of wishful thinking. *Congressional Quarterly's* study of the "conservative coalition" of Republicans and Southern Democrats shows this united front to be almost as strong as ever in Congress—and particularly effective in the House.

Ten times last year southern Democratic and GOP Representatives joined forces to pass important bills. Best-known of these was the Landrum-Griffin labor reform bill, but other major measures such as the States' Rights bill and the "Mallory Rule Bill" also owed their passage to the alliance. (For explanations of these bills, see "Rating Your Members of Congress," in HUMAN EVENTS for December 2, 1959.) On only one issue—an effort to kill all new public housing authorizations for 1959-60—the coalition met defeat. Observers on Capitol Hill give much of the credit for the coalition's victories—in the face of reduced numbers—to the skilled leadership of GOP leader Charles Halleck and conservative Howard Smith (D.-Va.), backed by stronger support from President Eisenhower.

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In the Senate, despite large Republican losses, conservatives were able to preserve the National Defense Education Act loyalty oath, add the McClellan bill of rights to the weak Kennedy-Ervin labor bill, and hold the line in some important areas of Federal spending. A number of conservative defeats in the Senate were reversed by the House, particularly on labor legislation.

As the Washington *Star* commented: "The issues involved in these conservative coalition roll calls read like a roster of shattered liberal hopes."

Manion on Strikes, TV: The former Dean of Notre Dame's Law School, Clarence Manion, has called for the following remedy to prevent industry-wide strikes and TV frauds: a return to "simple government by clear, understandable law."

In a recent radio broadcast Manion stated: "Let us write the law simply and plainly and then hand its enforcement over to the courts and juries, thus completely by-passing the obstructive administrative regulations of the expensive, power-hungry bureaucracy."

Referring to the present steel strike, Manion continued: "If labor disputes are confined to individual companies and their own employees, the right to strike could be exercised intelligently and democratically by local union members to correct conditions with which they should be completely and personally familiar . . . .

"Let us make it a crime for an irresistible force of combined union power to hit the immovable object of combined industry resistance. This is the biggest possible conspiracy against the free life of the people of the United States."

Education: Ever since US Education Commissioner Lawrence G. Derthick led a team of "greatly impressed" educators on a month-long tour of the USSR in the spring of 1958, Washington has noted an increasingly soft attitude toward the Soviet Union by the US Office of Education. At the same time, the State Department has been pushing educational exchanges with the USSR, including students, researchers, librarians, young college instructors and secondary school teachers.

Oddly, the report of the Derthick team's laudatory findings on Russian education was not released for nearly a year and a half after the educators made the trip—but, conveniently, just before Nikita Khrushchev's history-making visit to America. This report, therefore, was protected from criticism by the "umbrella" of international togetherness fostered by Khrushchev's visit.

The report, entitled "Soviet Commitment to Education—Report of the First Official US Education Mission to the USSR," with foreword by Derthick, says that the Reds have a "grand passion" for education. It praises Russian nurseries and kindergartens where working mothers (most all Soviet women work outside of their homes) can leave their children during the day; parent education courses; and "the motivation for individual learning and enrichment provided by the work of the Pioneer Circles which keep boys and girls constructively engaged outside of the regular classroom hours."

And yet how does the report describe the Pioneer Circles (and other youth organizations) which so impressed Derthick and his colleagues? It says:

"Party organizations have been set up for each age group in the general school: Children from 7 to 9 years old may join the Young Octobrists; from 9 to 14, the Young Pioneers; and at 14, the Komsomols (All-Union Lenin Young Communist League). Teachers in the schools we visited emphasized that membership was voluntary. Young Pioneers wear a red kerchief around their necks, as a symbol of membership, and in most of the classrooms we visited nearly all the children wore them; those who did not may not have been members or may have temporarily lost the right to wear them as a punishment for misbehavior.

"In every school there is a Pioneer Room in which a portrait or statue of Lenin is featured as well as the oath of the Pioneer: 'I, a Young Pioneer of the Soviet Union, before my comrades give this oath, to love the Soviet Union, to live, to study, and to fight according to the teaching of Lenin and in the way which the Communist Party teaches me.'"

To many disturbed Washington observers, the description of the Pioneer Circles in the Soviet Union brings back memories of the fanatical youth groups organized under Hitler and Mussolini for the purpose of capturing the minds of the young. In short, the "Young Pioneers," so admired by Derthick, are obviously the youth shock troops of the Communist party. Yet, at a press conference last fall, the Commissioner invited US schools to start a "pen pal" program, an exchange of letters between US and Soviet children, which he said "could be a revelation on both sides—a communication of understanding, friendship and good intentions that could be highly significant."

In other words, does Dr. Derthick want the US to open its mails to the propaganda of the militant battalions of the Communist "Pioneers?" Since our youth possess no contrary propaganda organization, the "exchange" would—as usual—be a one-way street.

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Article Section I

Hugo Black: A Study of Conflict

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The Story of the Ku Klux Klan's Favorite 'Liberal'

By DOUGLAS CADDY *and* M. STANTON EVANS

IT TOOK TWO great American mass movements, both of them of supreme importance socially and historically, to make Hugo L. Black what he is today. One of them is the Invisible Empire of the dreaded Klan. The other is the New Deal."

So wrote Pittsburgh *Post-Gazette* reporter Ray Sprigle, on September 13, 1937—breaking one of the most sensational stories in newspaper history. Alerted by charges that Black had once been a Ku Klux Klan member, Sprigle had journeyed to Birmingham, and there unearthed the story of Klansman Black.

Black had been elected to the Senate in 1926, where he was to become one of the most faithful toilers in the vineyards of New Dealism. With the retirement of Justice van Devanter in 1937, Roosevelt had his first opportunity to appoint a Supreme Court Justice, and the loyal Black was his choice. Although some questions were asked about possible Klan connections, the appointment was rammed through the Senate.

A few weeks after the confirmation, reporter Sprigle began publishing the story of Black's Klan membership, replete with photostats of Klan documents, transcripts of Klan meetings, and full details about Black's lifetime membership card.

As a member of Birmingham's Robert E. Lee Klan No. 1, Black had taken this solemn oath: "I swear that I will most zealously and valiantly shield and preserve by any and all justifiable means and methods . . . white supremacy"—strange reading in the post-Little Rock world ordained by Hugo Black and his fellow Justices.

Although backed by the Klan in his bid for the Senate, Black evidently had foreseen that open membership might be harmful to his ambitions, and thus he scrawled a memorandum of resignation —dated July 9, 1925. The "resignation" was strictly temporary, and, a year later, Black accepted the "Grand Passport" that entitled him to a lifetime membership.

The Justice, then Senator, and Governor Bibb Graves were handed their passports by "Klaliff" A. D. Ellis. "These," Ellis said, "as you will notice . . . bear no date or limitation. In other words, we as your fellow Klansmen would have you both realize that they are good only so long as you are good and that your fellow Klansmen in the Realm of Alabama will put the date of retirement upon these certificates when you yourself make such action necessary and not until then."

Black accepted the passport with a melodramatic speech of thanks. "This passport which you have given me," he said, "is a symbol to me of the passport which you have given me before. I do not feel that it would be out of place to state here on this occasion that without the support of the members of this organization, I would not have been called . . . the 'Junior Senator from Alabama.' "

And he added, just to make it explicit: "I realize I was elected by men who believe in the principles that I have sought to advocate and which are the principles of this organization."

While his heart may have belonged to the KKK, Black showed that his vote—once the New Deal arrived—belonged to F.D.R. As a member of the world's foremost deliberative body, he came to be described as "probably the most radical man in the Senate." He built his name into prominence by a zealous career of investigations, aimed at exposing malpractices in American business.

A COMPARISON of Black's shifting attitudes on the powers of congressional committees is almost as startling as his backflip from klansmanship to integration. In one of its notorious "Red Monday" decisions of June 17, 1957, the Supreme Court held that a committee of Congress could not require a witness, who admitted collaboration with the Communist party, to name his Communist associates—even if he did not take the Fifth Amendment. In a pronouncement that is slightly incredible in this era of massive subversion and plundered secrets, the Court opined that queries about communism were not legitimately related to the legislative purposes of Congress. "We remain unenlightened," said the Court, "as to the subject to which the questions asked petitioner were pertinent."

Justice Black concurred in this opinion, and in the limitation of congressional investigative power which it prescribed. Yet in 1936 Senator Hugo Black had with considerable zeal taken exactly the opposite stand—and defended the right of congressional committees to follow their investigations wherever they might lead. "There is no power on earth," wrote Senator Black, "that can tear away the veil behind which powerful and audacious and unscrupulous groups operate, save the sovereign legislative power armed with the right of subpena and search . . . . Witnesses have declined to answer questions from time to time. The chief reason advanced has been that the testimony related to purely private affairs. In each instance with which I am familiar, the House and Senate have steadfastly adhered to their right to compel reply, and the witness has either answered or been imprisoned . . . ."

In addition to his investigating activities, Black's

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years in the Senate were marked by a consistent pattern of left-wing voting. During Roosevelt's first term he voted for all of the two dozen principal New Deal measures, and consistently supported all of F.D.R.'s lopsided labor legislation. His faithful service—particularly his work on behalf of the infamous Court-packing scheme—put him in high favor at 1600 Pennsylvania Avenue. Thus, when Roosevelt was casting about for his first High Court appointment, his thoughts turned to Hugo Black. Roosevelt was angry with the Senate for its refusal to truckle to him on the Court-packing plan. As Joseph Alsop and Turner Catledge relate, he wanted a candidate that would be sure of confirmation, but who would simultaneously afford "a maximum degree of unacceptability to the groups which had offended him. He longed to give the Senate a bitter pill to swallow, yet make the rebellious legislators gulp it down."

Hugo Black—extreme leftist and advocate of Court-packing—was the pill.

ONCE INSTALLED ON THE BENCH, with the Klan uproar more or less behind him, Black settled down to fashioning one of the most bizarre voting records in Court history. Surrounded by a predominantly conservative court, he struck off 13 dissents in eight months. He rapidly established himself as a favorite among the elements of the extreme Left Wing (so much so that he received two separate awards from the Southern Conference of Human Welfare, a group officially cited as a Communist front).

The conflicts in Black's career have been so profuse and so astounding that it is sometimes difficult to keep them all in focus. On February 28, 1937, for example, Black had condemned the Supreme Court for what he deemed "usurpations" of the Constitution. Reporter Gene Wortsman comments that "he said the Court philosophy was that the Constitution was what the Court majority says it is. 'I believe it is time to stop these judicial usurpations,' he declared."

Now Black is tagged as one of the foremost advocates of the Constitution-changing jurisprudence he used to condemn.

Equally glaring contradictions appear in Black's varied attitudes toward "civil liberties." Black rendered the Court's opinion in the case of the Japanese-Americans interned during World War II. In that decision, the Court coolly observed that "we cannot—by availing ourselves of the calm perspective of hindsight—now say that at that time these actions were unjustified."

Black's indifference to the liberty of citizens who had done nothing to suggest disloyalty to America—except to be born members of a certain race—contrasts glaringly with his hot defense of the "rights" of men and women sworn to destroy his country.

Here, at least, within the framework of his votes on the question of communism, Black has shown a remarkable consistency—in favor of the Communists. In an article in the New York *University Law Review* in 1953, Eugene Gerhart estimated that the number of Black's votes "in favor of the view advocated by the Communist interest" outstripped those of even so ardent a leftist as Justice William O. Douglas. In a close fight, Black nosed out Douglas for the highest percentage of votes in favor of the "view advocated by the Communist interest"—95.4 per cent to 94.7 per cent.

A more recent survey by one Marian Stephenson shows that Black voted in favor of Communist or pro-Communist defendants in ten internal security rulings by the Court within a 19-month period. They were:

THE RULING in the Subversive Activities Control Board case, refusing to affirm its constitutionality; the *Nelson* decision, voiding the sedition laws of the states (on which the Court later backtracked); *Yates*, striking at the Smith Act prohibition against advocating overthrow of the Government; *Cole*, saying that Government employees might not be dismissed for subversive activity unless they held "sensitive" positions; *Service*, reinstating a US diplomat implicated in a 1945 Red espionage scandal; *Slochower*, saying New York schools could not discharge a teacher for pleading the Fifth Amendment about Communist activities; *Sweezy*, holding that the Attorney General of New Hampshire could not question a state university professor about possible subversive actions; *Koenigsberg*, holding that California bar examiners could not refuse a license to a man who declined to say whether or not he was a Communist; *Jencks*, which said that the defense in subversion cases had a right to see the contents of confidential FBI files; *Watkins*, referred to previously, which held that a witness could not be compelled to testify about Communist associates, even if he did not take the Fifth Amendment.

Thus Hugo Black, master of self-contradiction, has managed something probably unequalled by any other public figure in America. He has ingratiated himself, in the course of a single career, with the two outstanding subversive groups of 20th-century America—the Ku Klux Klan and the Communist party.

Douglas Caddy is a senior at Georgetown University. M. Stanton Evans formerly was Managing Editor of HUMAN EVENTS and is now editorial writer for the *Indianapolis News*.

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Article Section II

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The Free Market Economy

The Most Efficient Way of Solving Economic Problems

By F. A. HAYEK

(*Professor of Economics, University of Chicago; Author of* The Road to Serfdom)

AN UNHINDERED MARKET provides the most efficient steering of production, because it secures the fullest utilization of knowledge necessarily dispersed among millions of men. All the resources, material and human, which can be made to serve human needs, exist in countless varieties and forms, distributed widely in space and constantly changing in quantity and quality. What benefits we will derive from them depends on how well the use of the particular items is, at every moment and place, adapted to the ever-changing conditions.

Resources exist for this purpose only to the extent that the concrete facts about them and about the opportunities for their use are known to particular men. The global figures about total stocks or supplies on which a central planner of production has to rely leave out most of the information which should be taken into account in the decision about the use of the individual item. Even with the most standardized raw material, two carloads available at different places or at different times offer different opportunities.

With more complex products, such as machines, often no two different items are equally useful for all purposes to which they can be put.

Our productivity depends on the use of the widely dispersed knowledge of these ever-changing concrete facts of place and time. This knowledge can never be at the disposal of a central direction of the economy. It can be used only if the decisions are decentralized and placed in the hands of those who know the particular facts. But if the individuals are to use their knowledge successfully, they must be in a position mutually to adjust their decisions so that their individual plans fit into each other, and to take account in these plans of many circumstances of which they do not directly know.

This cannot be achieved by deliberate coordination because the coordinating agency would have to possess that very knowledge of detail which cannot be concentrated in a single hand.

What is needed, therefore, is an impersonal mechanism of communication which conveys to the individuals just that information which they require in order to adjust their decisions to those of their fellows. This is what prices in an unhindered market will do—not perfectly, but infinitely better than can be achieved by any other known method. They tell each individual not only what others are willing to give for his products or services, but also the relative importance of all the different tools and materials which he can use in supplying other people's needs. They register the relevant effects of countless other facts which the individual, without knowing of those facts themselves, is thus made to take into account.

He need not know why or where one kind of material is more urgently demanded or some service can be more easily dispensed than was the case before. All he need know is that the price of the one has risen and that of the other fallen and he will in consequence be led to economize the former and more freely use the latter.

TO APPRECIATE THE IMPORTANCE of this, we must remember that almost all human needs can be satisfied in a great variety of ways and that nearly all commodities can be made from a great many different materials and of many different proportions of these materials. How much we shall get from our efforts depends probably less on the total quantity of resources at our disposal than on putting each to the use where it will make the greatest contribution. In order to maximize output, it is necessary to use the different materials and kinds of work in such proportions that the relative contribution of the marginal units is the same in all their different uses.

So long as, *e. g.*, an extra ton of coal will make a greater contribution to the product of one plant than an extra barrel of oil, while at the plant next door the position is the reverse, overall output can clearly be increased if the former substitutes coal for oil and the latter oil for coal. Under competitive conditions this process will go on until the

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quantities of two such materials which will make the same contribution to the product (taking account of costs of transportation and the like) are the same in all plants.

This result, which is produced by each manufacturer endeavoring to minimize his costs, secures at the same time all round maximum output.

Changes in prices will thus make the individual producer adjust himself to changes which may occur in very different industries or places, of which he does not know directly but whose relevant effects are registered by the prices. Market prices are in this sense the resultant of all the knowledge possessed by the different individuals concerned with a commodity and reflect all the opportunities and needs for its use. They indicate the urgency of different needs, the expediency of substitutions, and all the opportunities people believe to exist for the use of the commodities, now or in the future.

This, however, is true only of prices as they will be determined in an unhindered market, that is, a market at which prices make demand equal supply. Only if anyone who wishes is allowed to supply or buy any commodity or service, at any price and at any quantity he chooses, will prices fulfill this function. Prices which are not determined under such conditions, and at which those willing to sell or buy are not able to sell or buy as much as they wish, lead to misdirections of production and waste. With such prices some resources will not be turned to the most productive use and others that should be used will remain altogether idle.

AS THE TERM GOVERNMENT INTERVENTION is now often used in a vague sense which suggests that all Government concern with economic matters is objectionable, it must be stressed that only Government interference with prices, quantities, and the entry into trades is altogether incompatible with a free market. There is much Government may do or indeed must do in order to keep the market functioning—above all it must enforce the ordinary rules of law. But if the individuals are to use their own knowledge in the allocation of resources effectively, the actions of Government must be predictable. So far as Government acts according to known rules of law, it assists the individuals in their own efforts by providing fixed data on which they can base their plans.

Yet prices, quantities, or the entry into trades, cannot be determined by rules. Any attempt to regulate them by decree must take account of every changing circumstance and be guided by the particular preferences and aims of the authority. Such measures are, therefore, in their very nature, unpredictable, discretionary and essentially arbitrary.

In other words, it is the character rather than the volume of Government activity that is important. A functioning market economy presupposes certain activities on the part of the state; there are some other such activities by which its functioning will be assisted; and it can tolerate many more, provided that they are of the kind which are compatible with a functioning market. But there are those which run counter to the very principle on which a free system rests and which must therefore be altogether excluded if such a system is to work.

In consequence, a Government that is comparatively inactive but does the wrong things may do much more to cripple the forces of a market economy than one that is more concerned with economic affairs but confines itself to actions which assist the spontaneous forces of the economy.

THE CRITERION WHICH ENABLES us to distinguish between those measures which are and those which are not compatible with a free system is thus conformity with the principles of the rule of law. All measures that satisfy its requirements may be examined further on grounds of expediency. Many of them will, of course, still be undesirable or even harmful. But those that are not must be rejected even if they provide an effective, or perhaps the only effective, means to a desirable end. It is true that the observation of the rule of law is only a necessary, but not yet a sufficient condition for the working of a free economy. The important point, however, remains, that all coercive action of Government must be unambiguously determined by a permanent legal framework which enables the individual to plan with a degree of confidence and which reduces human uncertainty as much as possible.

The main function of this permanent legal framework is to reduce coercion of individuals by other individuals as much as possible. It must be realized that at the present time Government does not even adequately perform this essential and indispensable function. It has granted trade unions unique privileges of coercion toward workers unwilling to join them, which are entirely contrary to the principles on which a free system rests. Here a much more consistent application of the basic principles of the rule of law would be desirable if the market is to work efficiently.

The function of law in a free society is predominantly to prevent violence and coercion, fraud and deception. To enforce the rules which will achieve this, and for this purpose only, Government must

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possess the power to coerce and ought to have the monopoly of coercion. But we should not overlook that the coercive functions of Government are not its only functions and that there are many pure service functions which it may undertake where coercion does not enter or does so only through the need of financing them through taxation. In so far as the Government merely undertakes to supply services which otherwise would not be supplied at all (usually because it is not possible to confine the benefits to those prepared to pay for them), the only question which arises is whether the benefits are worth the cost. Of course, if the Government claims for itself the exclusive right to provide particular services, they would cease to be strictly non-coercive. In general, a free society demands not only that the Government have the monopoly of coercion, but that it have the monopoly *only* of coercion and that in all other respects it operate on the same terms as everybody else.

A great many of the activities which Governments have universally undertaken in this field which fall within the limits described are those which facilitate the acquisition of reliable knowledge about facts of general significance. The most important function of this kind is the provision of a reliable and efficient monetary system. Others scarcely less important are the setting of standards of weights and measures; the providing of information gathered from surveying, land registration, statistics, etc; and the support, if not also the organization, of some kind of education.

ALL THESE ACTIVITIES of Government are part of its effort to provide a favorable framework for individual decisions; they supply the means which individuals can use for their own purposes. Many other services of a more material kind fall into the same category. Though in a free society Government ought not reserve to itself activities which have nothing to do with the enforcement of the general rules of law and the assurance of a protected private sphere to the individual, there is no violation of the basic principles of such a society if the Government engages in all sort of activities on the same terms as the citizens. If in the majority of fields there is no good reason why it should do so, there are fields in which the desirability of Government action can hardly be questioned.

To this latter group belong all those services which are clearly desirable but will not be provided by competitive enterprise because it would either be impossible or difficult to charge the individual beneficiary for them. Such are most sanitary and health services, often the construction and maintenance of roads, and many of the amenities provided by municipalities for inhabitants of cities. There are also many other kinds of activity in which Government may legitimately wish to engage, in order perhaps to maintain secrecy in military preparations or to encourage the advance of knowledge in certain fields. But though Government may at any moment be best qualified to take the lead in such fields, this provides no justification for assuming that this will always be so and therefore for giving it exclusive responsibility. In most instances, moreover, it is by no means necessary that the Government engage in the actual management of such activities; the services in question can generally be provided, and more effectively provided, by the Government's assuming some or all of the financial responsibility but leaving the conduct of the affairs to independent and in some measure competitive agencies.

THERE IS CONSIDERABLE justification for the distrust with which business looks on *all* state enterprise. There is great difficulty in ensuring that such enterprise will be conducted on the same terms as private enterprise; and it is only if this condition is satisfied that it is not objectionable in principle. So long as a Government uses any of its coercive powers, and particularly its power of taxation, in order to assist its enterprises, it can always turn its position into one of actual monopoly. To prevent this, it would be necessary that any special advantages, including subsidies, which Government gives to its own enterprises in any field, also be made available to competing private agencies. There is no need to emphasize that it would be exceedingly difficult for Government to satisfy these conditions and that the general presumption against state enterprise is thereby considerably strengthened. But this does not mean that all state enterprise must be excluded from a free system. Certainly it ought to be kept within narrow limits; it may become a real danger to liberty if too large a section of economic activity comes to be subject to the direct control of state. But what is objectionable here is not state enterprise as such but state monopoly.

Furthermore, a free system does not exclude on principle all those general regulations of economic activity which can be laid down in the form of general rules specifying conditions which everybody who engages in a certain activity must satisfy.

These include, in particular, all regulations governing the technique of production. We are not concerned here with the question of whether such regulations will be wise, which they probably will be only in exceptional cases. They will always limit the scope of experimentation and thereby obstruct

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what may be useful developments. They will normally raise the cost of production or, what amounts to the same thing, reduce over-all productivity. But if this effect on cost is fully taken into account and it is still thought worthwhile to incur the cost to achieve a given end, there is little more to be said about it. The economist will remain suspicious and hold that there is a strong presumption against such measures because their over-all costs are almost always underestimated and because one disadvantage in particular—namely the prevention of new developments—can never be taken fully into account.

But if, for instance, the production and sale of phosphorous matches are generally prohibited for reasons of health, or permitted only if certain precautions are taken, or if night work were generally prohibited, the appropriateness of such measures might be judged by comparing the over-all cost with the gain; it cannot be conclusively determined by appeal to a general principle. This is true of most of the wide field of regulation known as factory regulation.

The range and variety of Government action that is, at least in principle, reconcilable with a free system is thus considerable. The old formulae of *laissez faire* or non-intervention do not provide us with an adequate criterion for distinguishing between what is and what is not admissible in a free system. There is ample scope for experimentation and improvement within that permanent legal framework which makes it possible for a free society to operate most efficiently.

WHY, THEN, HAS THERE BEEN such persistent pressure to do away with those limitations upon Government that were erected for the protection of individual liberty? And if there is so much scope for improvement within the rule of law, why have the reformers striven so constantly to weaken and undermine it? The answer is that during the last few generations certain new aims of policy have emerged which cannot be achieved within the limits of the rule of law. A Government which cannot use coercion except in the enforcement of general rules has no power to achieve particular aims that require means other than those explicitly entrusted to its care and, in particular, cannot determine the material position of particular people or enforce distributive or "social" justice. In order to achieve such aims, it would have to pursue a policy which is best described—since the word "planning" is so ambiguous—by the French word *dirigisme,* that is, a policy which determines for what specific purpose particular means are to be used.

This, however, is precisely what a Government bound by the rule of law cannot do. If the Government is to determine how particular people ought to be situated, it must be in a position to determine also the direction of individual efforts. If Government treats different people equally, the results will be unequal and if it allows people to make what use they like of the capacities and means at their disposal, the consequences for the individuals will be unpredictable.

The restrictions which the rule of law imposes upon Government thus preclude all those measures which would be necessary to ensure that individuals will be rewarded according to another's conception of merit or desert rather than according to the value that their services have to their fellows—or, what amounts to the same thing—it precludes the pursuit of distributive, as opposed to commutative justice. Distributive justice requires an allocation of all resources by a central authority: it requires that people be told what to do and what ends to serve. Where distributive justice is the goal, the decision as to what the different individuals must be made to do cannot be derived from general rules but must be made in the light of the particular aims and knowledge of the planning authority. Where the opinion of the community decides what different people shall receive, the same authority must also decide what they shall do.

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